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June 28, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00142
Peaks Mill Water District

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 28, 2006.

Executive Director

BOD/sh
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| THE APPLICATION OF THE PEAKS MILL |) | |
| WATER DISTRICT FOR (1) A CERTIFICATE |) | |
| OF PUBLIC CONVENIENCE AND NECESSITY |) | |
| TO CONSTRUCT THE PROPOSED |) | |
| WATERWORKS IMPROVEMENT PROJECT; |) | CASE NO. |
| (2) THE APPROVAL OF THE PROPOSED |) | 2006-00142 |
| PLAN TO FINANCE THE WATERWORKS |) | |
| IMPROVEMENT PROJECT; AND (3) THE |) | |
| APPROVAL OF THE PROPOSED INCREASE |) | |
| IN RATES FOR WATER SERVICE |) | |

ORDER

On March 31, 2006, Peaks Mill Water District ("Peaks Mill") submitted its application requesting the Commission grant a Certificate of Public Convenience and Necessity ("Certificate") to construct improvements to its water facilities, authorize a \$971,179 loan from the Kentucky Infrastructure Authority ("KIA"), and approve an increase in its water rates. Peaks Mill determined that its pro forma operations support a revenue requirement from water rates of \$481,779, an increase of \$136,962 or 39.7 percent above the normalized revenue from water rates of \$344,817. To achieve its requested revenue requirement, Peaks Mill proposes rates that will increase the average residential bill from \$28.83 to \$37.88, an increase of \$9.05 or 31.4 percent. By this Order, we approve Peaks Mill requested rate increase.

Peaks Mill, a water district organized pursuant to KRS Chapter 74, is a utility subject to Commission jurisdiction. KRS 278.010(3)(d); KRS 278.015; KRS 278.040. It

provides retail water service to 1,048 customers in Franklin County, Kentucky.¹ It last applied for a rate adjustment in 1996.²

On March 31, 2006, Peaks Mill tendered its application. On April 24, 2006, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), submitted his motion for full intervention as authorized by KRS 367.150(8). The Commission granted the Attorney General’s motion in its Order of April 28, 2006.

In its application, Peaks Mill requests a Certificate for Phase II of its waterworks improvement project, which consists of constructing approximately 43,913 linear feet of water distribution mains to serve 41 new customers at an estimated cost of \$995,779.³ Peaks Mill also requests approval of its proposal to finance Phase II with a \$971,179 loan from the Kentucky Infrastructure Authority (“KIA”),⁴ and contributions from the customers (“tap-on fees”) of \$24,600.⁵ By an Order dated May 30, 2006, the Commission granted a Certificate for this project and approved the proposed financing plan.

Commission Staff performed a limited financial review of Peaks Mill’s operations and, on May 31, 2006, issued a report containing its findings and recommendations

¹ Exhibit 15 of the application, Final Engineering Report at 1.

² Case No. 1996-00091, In the Matter of the Application of Peaks Mill Water District of Franklin County, Kentucky for A Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to the Provisions of KRS 278.023 (Ky. PSC April 3, 1996).

³ Application at 2.

⁴ KIA loan terms: 20-year term with an interest rate of 5 percent per annum.

⁵ Id., at 3.

regarding the proposed rates. In its report, Staff agreed with Peaks Mill's pro forma adjustments to test-period operations and found that the proposed revenue requirement of \$481,779 will allow Peaks Mill to pay its adjusted operating expenses, meet the 1.2x debt service coverage requirements of Peaks Mill's bond ordinances and provide for future equity growth. Staff further found that Peaks Mill's proposed rates will generate the annual revenue requirement of \$481,779 and recommended their approval.

All parties were directed to file written comments upon Staff's findings and recommendations or to request a conference or hearing no later than June 12, 2006. As of this date, no parties submitted comments or objections or requested a hearing.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. Peaks Mill's proposed water rates will produce annual revenues from water sales of \$481,779.

IT IS THEREFORE ORDERED that:

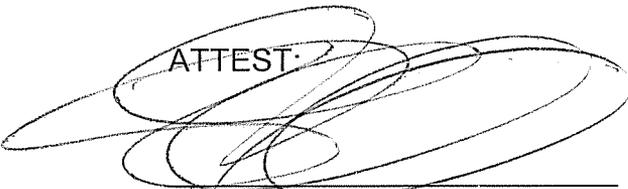
1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. Peaks Mill's proposed water rates, which are set forth in Appendix A, are approved for service rendered by Peaks Mill on and after the date of this Order.
3. Within 30 days of the date of this Order, Peaks Mill shall file with the Commission its revised tariff setting out the rates approved herein.

4. Three years from the date of this Order, Peaks Mill shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service.

Done at Frankfort, Kentucky, this 28th day of June, 2006.

By the Commission

ATTEST



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00142 DATED June 28, 2006.

The following rates are prescribed for the customers in the area served by the Peaks Mill Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES AND CHARGES

All Customers

| | | | | | |
|-------|--------|---------|----|-------|-------------------|
| First | 2,000 | gallons | \$ | 19.25 | Minimum bill |
| Next | 3,000 | gallons | | 6.21 | per 1,000 gallons |
| Next | 5,000 | gallons | | 4.99 | per 1,000 gallons |
| Over | 10,000 | gallons | | 4.38 | per 1,000 gallons |